

21 July 1954

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REVIEW OF THE SOVIET BLOC

COPPER POSITION

1. Among the tonnage metals, copper ranks next to iron and steel as an essential component in an industrialized economy. Copper and its alloys are of vital importance in the production of military equipment and materiel as well as in the production of industrial machinery and equipment essential to support a modern war economy.
 - Copper and its alloys are used extensively in the manufacture of ammunition, armored and other military vehicles, artillery parts, communications and fire control equipment, aircraft, naval craft as well as a host of miscellaneous items of ordnance.
 - Copper is a key element in the development and manufacture of electronic and electrical equipment.
 - In many of its most important applications there is no satisfactory substitute for copper and its alloys.
2. The strategic significance of copper to the Communist world is evident when one considers the high percentage of estimated Soviet copper consumption which goes into military end-items and to industries giving direct military support.
 - It is estimated that the production of munitions and military equipment utilizes 20% of the total copper available to the USSR and that strategic stockpiles and the production of items for direct support of the existing military establishment accounts for an additional 27%.
3. Although the countries of the Soviet Bloc account for an estimated 13% of the world's copper ore production in 1953, requirements are considerably greater than supply. The Bloc accounts for 18% of world copper consumption.
 - Estimated total Bloc requirements for 1954 are approximately 700,000 metric tons while production is expected to be on the order of 480,000 metric tons - leaving a deficit of 220,000 metric tons which can only be removed by imports from the free world.
 - Not only is the copper production of the USSR, which represents approximately 85% of total Bloc production,

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insufficient for Soviet needs, but the Soviet Union must itself supply some of the Satellite requirements.

4. The need generally for advanced technology and the lack of extensive natural resources in certain areas have restricted so far the extensive development of copper production within the Bloc.

- Limitations on expansion of copper production in the USSR have resulted in a large part from the nearing exhaustion of the relatively rich ores of the Urals and the slow development of new production in Kazakhstan and in Central Asia.

- a. Although these new ore deposits are extensive and potentially promising, they are of low grade generally and of a type which presents problems of recovery.
- b. Exploitation of these areas is further complicated by climatic and geographic factors.
- c. While none of these conditions are insurmountable, they continue to provide formidable problems for the Soviet economy.

- The USSR ranks fifth in the world production of copper ore while second only to the US in its consumption.

5. The importance of copper to the Soviet Bloc is forcefully illustrated by the fact that no other metal has been so actively and so persistently sought after through Bloc clandestine procurement channels.

- The shipment of copper to communist countries has been embargoed by COCOM countries since the fall of 1951.

- The Bloc has actively attempted to circumvent these controls. The intensity of activity reached a peak in 1951-52 when world demand was at its highest following the outbreak of the Korean War.

- Communist clandestine procurement activities have continued at a high level through June 1954, and evidence reaching Washington is beginning to show increasing procurement efforts by the Soviet Bloc for all forms of electrolytic copper and for wire.

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6. Most of the free world countries have cooperated in minimizing copper acquisitions by the Bloc. However, the problem of preventing shipments to the Bloc is complicated by the complexity of multiple trade transactions and the lack of controls in the "free ports" of the world.

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- CIA analysis of 138 reported cases of shipments to the Bloc during the period January 1953 to April 1954 shows that:

- a. An absolute minimum of 41,000 tons have been definitely traced into Soviet hands.
- b. Bloc efforts to procure an additional 100,000 metric tons were interrupted by COCOM administrative action.
- c. The success of Bloc efforts to procure a further 92,000 metric tons has not yet been finally determined.

7. The problem of preventing shipments of copper to the Soviet Bloc was aggravated by the substantial decrease in the free world demand since the early part of 1953, resulting in the accumulation of large stocks of unsold copper.

- This situation was especially pronounced in Chile which had on hand as late as March this year 175,000 metric tons of unsold copper.

- Subsequently the US purchased 100,000 metric tons at US market prices.

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- While the existence of such a sizeable stockpile gave rise to rumors and to numerous Soviet Bloc clandestine procurement activities, [REDACTED]

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[REDACTED] the majority of the 75,000 metric tons was probably sold to western buyers with legitimate requirements. Some transactions, however, are questionable and this information is being compared with the other data available on Soviet Bloc clandestine procurement channels.

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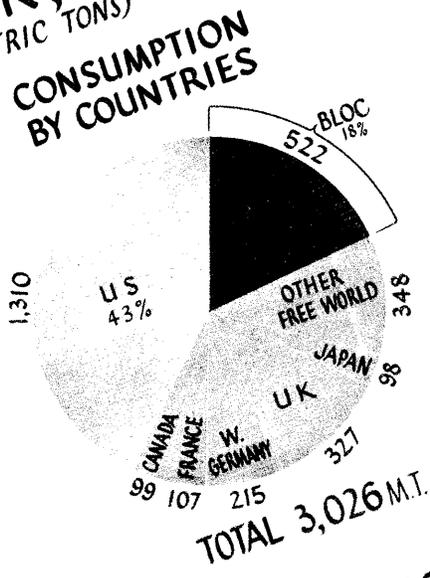
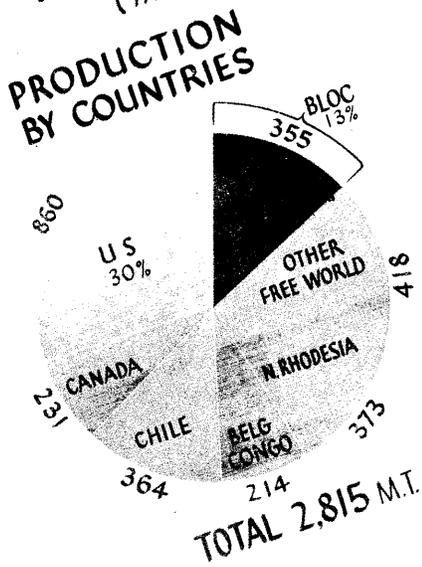
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- At the present time there are no sizeable stockpiles of copper available for sale on the world market and, in fact, Chile now has a small unsatisfied demand. This condition should have the effect of eliminating some of the pressure for sales to the Soviet Bloc.
- 8. The price paid for copper by the Soviets has no apparent relationship to the intensity of their procurement efforts. For example, the fact that a recent Soviet offer was 34 cents in no way indicates a lessening interest in procurement, but rather an awareness of world market conditions.

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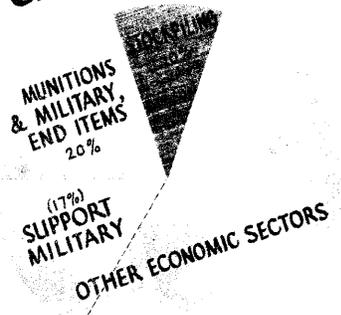
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WORLD COPPER, 1953
(IN THOUSANDS OF METRIC TONS)

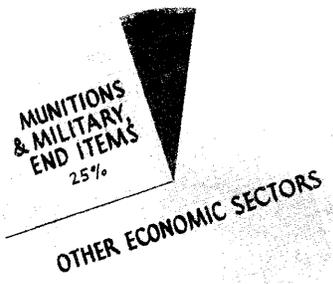


UTILIZATION OF COPPER, 1953
(IN THOUSANDS OF METRIC TONS)

USSR



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